

Message Text

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PAGE 01 BONN 19054 01 OF 02 211746Z

42

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 FAA-00 L-03 SS-15 NSC-05 SSO-00

NSCE-00 INRE-00 SP-02 /054 W
----- 112426

O 211734Z NOV 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 4575

AMEMBASSY LONDON IMMEDIATE

USMISSION USBERLIN PRIORITY

AMEMBASSY PARIS

LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 19054

E.O. 11652: N/A

TAGS: EAIR, UK, WB, FR

SUBJECT: CIVAIR - PAA'S BERLIN/LONDON CHARTERS

REF: A. LONDON 17906 B. BONN 18465 C. STATE 161821

1. UPON RECEIPT OF REF A, EMB CAA CONTACTED BRITISH CAA GROVES EXPRESSING CONSIDERABLE DISAPPOINTMENT AT THE DEPT. OF TRADE'S (DOT) ABRUPT ACTION IN DENYING PAA AUTHORITY FOR ABOUT TWO-THIRDS OF ITS REMAINING 1975 LONDON ITC PROGRAM. WE WERE PARTICULARLY STRUCK BY THE INCONSISTENCY OF THE DOT'S POSITION WITH EARLIER BRITISH STATEMENTS THAT THE UK WAS PREPARED TO HANDLE THE MATTER IN BONN (REF C). ON THIS BASIS WE HAD BEGUN A DETAILED STATISTICAL REVIEW OF THE LONDON CHARTER MARKET, THE EARLY RESULTS OF WHICH PUT IN QUESTION BRITISH ASSERTIONS THAT PAA CHARTER ACTIVITIES WERE SERIOUSLY DAMAGING BA AND UK SUPPLEMENTALS. AGAINST THIS BACKGROUND, WE ASKED GROVES TO TRANSMIT TO LONDON OUR STRONG OBJECTIONS TO THE DOT DECISION.

2. GROVES SAID HE HAD RECEIVED INSTRUCTIONS THIS MORNING
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PAGE 02 BONN 19054 01 OF 02 211746Z

(NOV. 21) TO OFFER TO DISCUSS THE MATTER FURTHER IN BONN

OR LONDON IF THE US REPS IN BONN PROTESTED THE DOT'S ACTION. IN THE LIGHT OF TODAY'S CONVERSATION AND PREVIOUS EXCHANGES ON THE SUBJECT, GROVES FELT THAT HE COULD NOW BEGIN TO REVIEW IN DETAIL THE IMPACT OF PAA'S LONDON CHARTERS ON UK CARRIER INTERESTS. HE CONFIDED THAT ON THE BASIS OF AN EARLIER CONVERSATION, HE HAD COMPARED CHARTER ACTIVITY TO LONDON FOR SEPTEMBER 1975 WITH THE SAME MONTH LAST YEAR. THE RESULTS SUGGESTED THAT ALTHOUGH BRITISH SUPPLEMENTALS HAD LOST SOME BUSINESS TO PAA, THE IMPACT WAS MARGINAL AT BEST, AND IN NO WAY DEMONSTRATED THAT EITHER DANAIR OR LAKER WAS BEING FORCED OUT OF THE MARKET. IT WAS AGREED THAT WE WOULD MEET MONDAY TO DEVELOP A COMPARISON OF THE ACTUAL NUMBER OF FLIGHTS FLOWN BY PAA AND ITS BRITISH COMPETITORS. THIS IS CONSIDERABLY MORE DIFFICULT THAN ASCERTAINING THE NUMBER OF PERMITS ISSUED (SEE REFTTEL), BUT IS NECESSARY TO GAIN AN ACCURATE PICTURE OF 1975 MARKET DEVELOPMENT.

3. OUR MOST RECENT CHECK WITH PAA INDICATED THAT ITS LONDON CHARTERS HAD VERY LITTLE IMPACT ON DANAIR SINCE THE LATTER HAD AN EXCLUSIVE ARRANGEMENT WITH A HANNOVER-BASED TRAVEL AGENT. ON THE OTHER HAND, LAKER AND PAA USED THE SAME AGENT (UNGER) AND WERE IN DIRECT COMPETITION. ACCORDING TO PAA, LAKER, ALTHOUGH COLLECTING LESS PER SEAT FROM THE AGENT, WAS GETTING THE WORST OF IT, PRIMARILY DUE TO THE GREATER CAPACITY ON PAA'S 727S, WHICH BETTER MET UNGER'S REQUIREMENTS. ON THE REVENUE SIDE, PAA REPS SAID THE AIRLINE COLLECTED ABOUT DM 15,300 PER FLIGHT, OR DM 1,440,000 FOR 1975 TO DATE. IN REVENUE TERMS, THEREFORE, DOT'S NOVEMBER 19TH ACTION WILL COST PAA ABOUT DM 137,700.

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PAGE 01 BONN 19054 02 OF 02 211745Z

42

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DOTE-00 INR-07 NSAE-00 FAA-00 L-03 SS-15 NSC-05 SSO-00

NSCE-00 INRE-00 SP-02 (ISO) W

----- 118046

O 211734Z NOV 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 4576

AMEMBASSY LONDON IMMEDIATE

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LIMITED OFFICIAL USE SECTION 02 OF 02 BONN 19054

4. AFTER ABOVE DRAFTED, GROVES CALLED TO SAY HE HAD JUST RECEIVED A MESSAGE INDICATING THAT FCO NOW BELIEVED DOT UNLIKELY TO BACK DOWN FROM ITS DECISION. GROVES WAS INSTRUCTED TO INFORM EMB CAA THAT BASIS OF DOT POSITION NOW FOCUSED ON NEGATIVE IMPACT OF CHARTERS ON SCHEDULED BERLIN-LONDON SERVICES. FCO NONETHELESS STILL SAW VALUE IN "THRASHING OUT THE PROBLEM" IN BONN. TO THAT END, DOT WAS PREPARING A PAPER FOR DISCUSSION BY THE THREE REPEAT THREE CAA'S PROPOSING THAT FLIGHTS FROM BERLIN TO THE UK, FRANCE, AND US WOULD BE LEFT EXCLUSIVELY IN THE HANDS OF THE RESPECTIVE NATIONAL AIRLINES. GROVES SAID THAT BRITISH EMBASSY IN WASHINGTON HAD BEEN INSTRUCTED TO MAKE A PARALLEL STATEMENT AT THE DEPARTMENT. HE SAID THAT HE WOULD BE IN A POSITION ON MONDAY TO PROVIDE EMB CAA WITH FURTHER JUSTIFICATION FOR DOT'S POSITION REGARDING DAMAGE TO SCHEDULED CARRIERS. EMB CAA SAID THAT DOT POSITION STRUCK US AS EXTREMELY ILL-ADVISED, GIVEN THE FACT THAT POINTS IN FRANCE OTHER THAN PARIS WERE LIMITED OFFICIAL USE

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PAGE 02 BONN 19054 02 OF 02 211745Z

POPULAR AS VACATION RESORTS FOR BERLINERS, AND WERE SERVICED BY BOTH BRITISH AND US CARRIERS. MORE IMPORTANTLY, WHILE WE WERE ALWAYS WILLING TO EXAMINE THE IMPACT OF CHARTER ACTIVITIES ON THE SCHEDULED SERVICES, AND POSSIBLY CONSIDER ADJUSTMENTS WHERE FULLY MERITED BY THE CIRCUMSTANCES, WE WOULD BE VIGOROUSLY OPPOSED IN PRINCIPLE TO ESTABLISHING A MONOPOLY FOR ANY BERLIN CHARTER MARKET.

5. ACTION REQUESTED: GIVEN EXTREMELY DAMAGING IMPACT ON PAA'S INTERESTS (BERLIN-US CHARTER TRAFFIC IS OF COURSE AT A VERY LOW LEVEL) WE RECOMMEND A STRONGLY NEGATIVE US RESPONSE TO THIS UK INITIATIVE, BOTH IN WASHINGTON AND IN LONDON. WE PROPOSE TO REGISTER OUR

SERIOUS CONCERN HERE AT A SUITABLE LEVEL.
DEPARTMENT'S VIEWS AS SOON AS POSSIBLE WOULD BE
APPRECIATED.
HILLENBRAND

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